

# HOUSING INDEX

April 2012

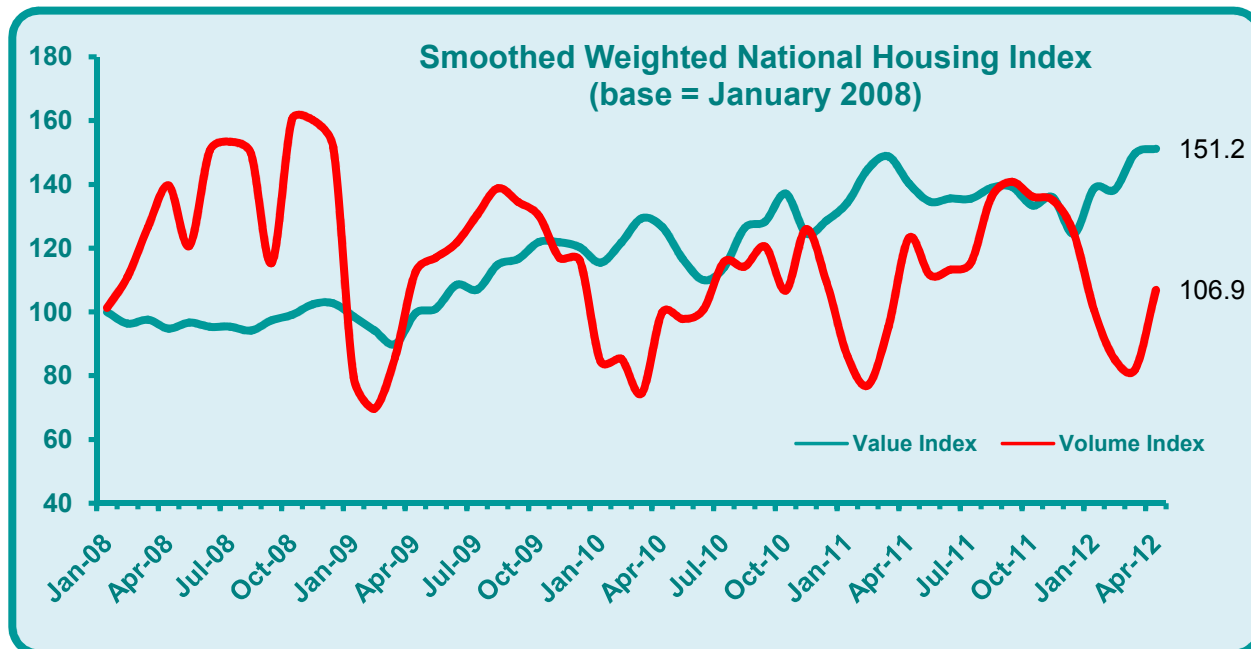
**Strong Volume Growth in Middle Price Segment**



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First National Bank

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The FNB House Price Index moved sideways in April to 151 basis points. Year on year, the index grew 7.7%. The northern property market continued to drive the annualised growth, while property prices moderated in the central and coastal markets. More and more properties are selling below the asking price, especially those in the upper price segment, which according to estate agents, are generally over-priced. The current market activity has pedestrian pace with almost three quarters of the properties spending more than 3 months on the market. Although overall volumes improved by 30% month on month, they still remain 13% lower year on year. This is largely due to supply and demand weakness in the coastal and northern markets. Volumes in the central market moved sidewise, although 60 possible Elisenheim bonds were not finalised by month end and should carry over to May. Land delivery fell to a new low with a mere 29 stands bonded through April.

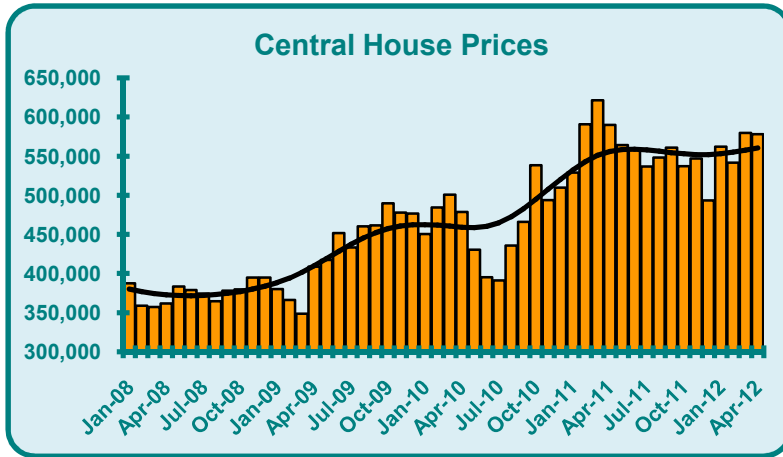
Median House Prices and month on month change						
	Small		Medium		Large	
Central	275,000	1.2%	538,067	-3.3%	1,275,000	-2.5%
Coastal	295,000	-0.6%	568,333	-1.8%	1,294,667	2.0%
Northern	241,667	0.1%	516,730	-2.1%	1,245,667	-3.9%
Southern	235,167	-17.0%	633,099	10.3%	1,318,301	0.0%

**Published by:** FNB Namibia **Address:** First City Centre, Levinson Arcade, Windhoek

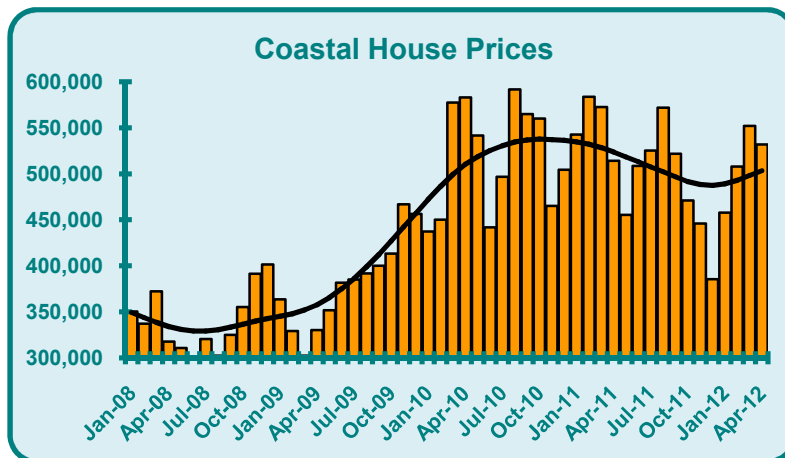
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**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to all circumstances.

## House Prices

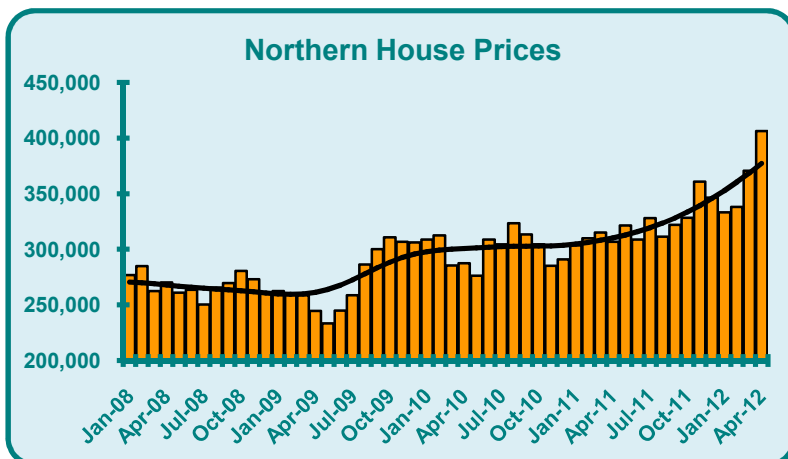


Central property prices moved sideways from the previous month but are down 2% on an annualised basis. They have remained relatively stable over the past 12 months after a dramatic increase in late 2011. The year to date data shows that property prices in Gobabis and Okahandja continue to grow by 18% and 31% respectively. But Windhoek being the largest market by far, its slightly negative growth trend is flattening overall prices in the central market – for now. Volumes in the lower price segment remained weak and properties under N\$400k have become a novelty. Volumes in the upper price segment were depressed and are spending 114 days on the market on average. Land delivery remained weak with 4 stands mortgaged and is still a far cry from the 300 stands required each month to house the central market's population growth. At N\$196/m<sup>2</sup>, land was 29% more expensive than the February average.



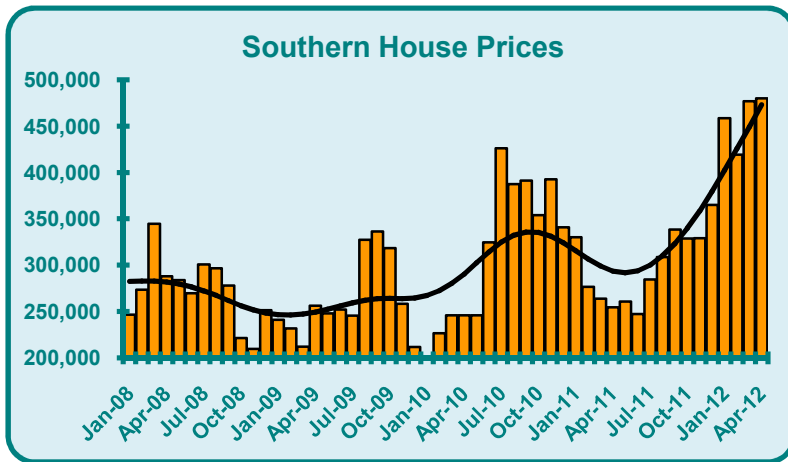
Coastal property prices fell 3.7% month on month. The downward price pressure came from the lower to middle price segments, where prices fell 1% and 2% respectively. On an annualised basis, coastal house prices rose 3.4%. As the market moves towards its peak selling season, year to date data shows that Henties Bay prices are up 20% from last year's average, while Swakopmund property prices rose 9%. Property prices in Walvis Bay remained in the red, falling 5% from the 2011 average. We still maintain that the coastal market is saturated with undeveloped stands. Coastal land delivery rebounded in April

with 16 stands mortgaged at an average price of N\$74/m<sup>2</sup>, which is 60% lower than the March average. Increased land delivery is still expected later in the year, which should add to the stock of undeveloped land and ease the demand for housing at the coast.



Northern property prices continued on an upward trajectory, climbing a further 10% in March and raising the year on year growth figure up to 33%. House prices in Omaruru and Grootfontein have risen 263% and 76% respectively, while Otjiwarongo, Okahao, Oshikango, Oshikuku and Ondangwa posted strong double digit growth figures. Price movements in the market were driven by the middle and upper price segment, where house prices increased 2 and 9 percent respectively. Volumes in the middle and upper price segments increased by 61% and 27% respectively, while volumes fell 43% in the lower price

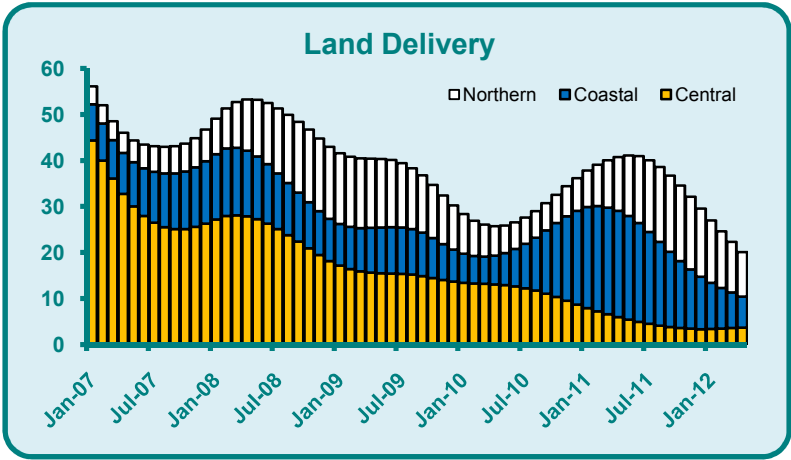
segment. This suggests that demand may be shifting towards the middle and upper price segments, given that property prices and volumes in the lower price segment contracted. Land delivery fell to 6 stands mortgaged during April at an average price of N\$133/m<sup>2</sup> up 304% from the March average.



House prices in the southern property market moved sideways after dramatic increases over the past 12 months. Luderitz was the only town where property prices increased (104%) year to date, while house prices in the larger towns such as Keetmanshoop and Mariental were flat. Once again we must warn that this is on the back of very low volumes and these numbers should be consumed with caution.

Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2012 YTD year.

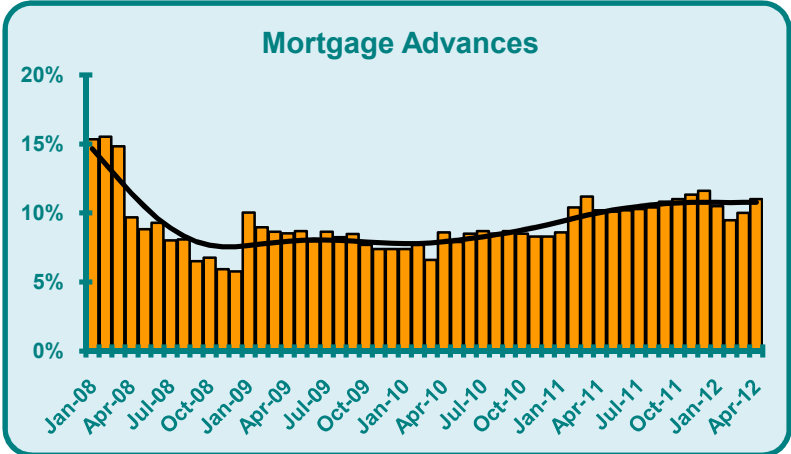
Median House Prices in Namibia									
	Year						Relative Change		
	2007	2008	2009	2010	2011	2012	5 Years	3 Years	YTD
Aranos	220,000	360,000	306,000	577,500	450,000	140,000	-36%	-54%	-69%
Eenhana	204,900	202,000	196,647	190,000	297,000	335,000	63%	70%	13%
Gobabis	222,700	240,000	315,375	306,000	450,000	530,000	138%	68%	18%
Grootfontein	176,500	290,500	240,000	221,143	297,500	525,000	197%	119%	76%
Henties Bay	502,000	500,000	427,013	520,000	668,500	800,000	59%	87%	20%
Katima Mulilo	229,000	176,000	200,000	280,750	249,000	318,600	39%	59%	28%
Keetmanshoop	265,000	300,000	256,000	268,250	352,500	350,000	32%	37%	-1%
Luderitz	165,700	218,000	190,036	300,000	191,821	391,850	136%	106%	104%
Mariental	396,000	294,200	265,000	290,000	395,000	395,000	0%	49%	0%
Okahandja	252,100	250,000	265,500	347,000	360,000	472,000	87%	78%	31%
Okahao	230,000	258,500	302,000	262,250	371,400	432,500	88%	43%	16%
Omaruru	397,200	420,000	450,000	300,000	161,482	585,400	47%	30%	263%
Omuhiya				299,200	331,500	313,000			-6%
Ondangwa	225,000	280,000	230,500	249,050	337,500	512,400	128%	122%	52%
Ongwediva	297,000	288,000	337,000	437,400	417,800	370,000	25%	10%	-11%
Oshakati	193,785	216,000	300,000	480,575	351,500	252,500	30%	-16%	-28%
Oshikango	1,000,000	1,000,000	340,000	450,000	268,300	339,250	-66%	0%	26%
Oshikuku	255,500	255,500	294,000	375,000	311,500	363,000	42%	23%	17%
Otavi	320,000	202,000	202,000	350,000	388,500	242,500	-24%	20%	-38%
Otjiwarongo	344,000	308,000	300,000	352,800	398,000	525,000	53%	75%	32%
Outapi	229,000	237,050	235,300	216,519	294,000	314,000	37%	33%	7%
Outjo	294,000	350,000	410,000	378,000	396,500	403,000	37%	-2%	2%
Rundu	165,922	269,000	182,391	264,000	293,320	300,000	81%	64%	2%
Swakopmund	477,805	380,000	468,000	600,000	568,000	620,000	30%	32%	9%
Tsumeb	300,000	300,000	322,075	350,000	430,000	475,000	58%	47%	10%
Usakos	171,000	348,000	160,000	160,000	206,000	200,000	17%	25%	-3%
Walvis Bay	303,000	296,900	325,000	431,000	370,000	352,000	16%	8%	-5%
Windhoek	375,000	386,000	453,300	500,000	610,000	600,000	60%	32%	-2%



Land delivery continued to deteriorate across the country to its lowest levels since the beginning of the index in January 2007. A total of 29 stands were mortgaged through the month. Half of these stands were from the coastal market. Land delivery at the coast appears to have bottomed-out, with signs of increased land delivery beginning to emerge. Here, 16 stands were mortgaged at an average price of N\$74/m<sup>2</sup>. Central land delivery remained weak with 4 stands mortgaged at N\$196/m<sup>2</sup> and falls way short of demand. Land delivery in the northern market fell to 6 stands mortgaged during April at an average price of N\$133/m<sup>2</sup>. For

2012, an estimated 750 new stands are expected, increasing to 5,000 in 2013. Only in 2013 will land delivery begin to chip away at the current housing backlog which stands at 105,000 houses and increases by 310 housing units each month.

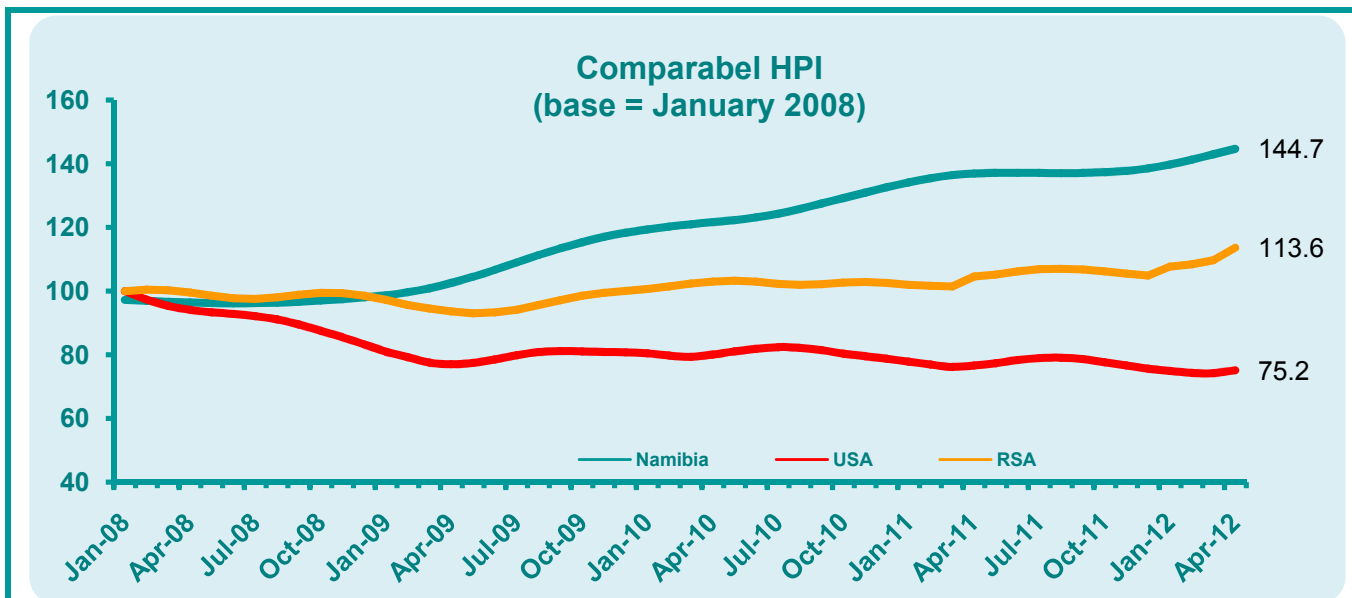
**Mortgage advances**



Mortgage advances growth remained at 11% year on year growth which amounts to N\$254m nett growth in mortgages. Unpacking the mortgage advance numbers shows that the mortgage advances are only growing in the middle price segment and by 36% for April, while the lower and middle price segments contracted by 27 and 21 percent respectively. Both these segments did have very weak volume growth. There simply is no supply of lower priced properties, while upper priced properties are selling too slow. Therefore mortgage contraction was expected in these

segments. Mortgage advances for further bonds also contracted year on year, but these are rather small amounts (N\$3mil) and have no real bearing on total mortgage advances.

## Comparable HPI



Source: FNB SA & S&P

Stripping out housing inflation and smoothing the FNB House Price Index (HPI) using the Hodrick-Prescott smoothing function, produces an index comparable to RSA and USA. The comparable index shows that the Namibian property prices continue to increase, with the local property price levels 31% higher than in South Africa. This gap is however closing as the SA HPI accelerated in April by 8.6% year on year, its highest growth rate since June 2010. This was due to recent improvement in real economic growth, which in turn supports employment and household disposable income which grew 11% year on year and thus increasing SA commercial banks willingness to provide home loans. The US housing prices increased 1.3% through April after seven consecutive months of falling house prices. On an annual basis, house prices fell by 1.9% and although still negative, this is an improvement from the -2.6% March figure. While one month does not make a trend, the US market finally gets a glimpse of rising house prices, which is expected to carry into May, which is a seasonally strong buying month.

### Conclusion

Increasing volumes, particularly in the middle price segment, shows early signs of improvement in the housing market, which has long been under-supplied resulting in high demand and high property prices. But one month's data does not make a trend and many months of sustained volume growth is required for any meaningful impact on the market bloated housing backlog. Land delivery will need to support sustained volume growth, which we estimate will materialise in mid 2013. Until then, the market will face increasing housing demand along with increasing property prices.

### Methodology

This report covers the developments in the national housing market, based on bonds registered for natural persons at the Deeds Office. The median is used as the central measure of tendency and has been smoothed using a 3-month moving average and weighted. Bonds smaller than N\$100,000 and further mortgage bonds are excluded because they may not reflect the true cost of housing and as such may distort the index. Of course, it must be remembered that this index reflects the median price of properties that were traded over this period. This limitation of not being able to get to average prices about the stock of housing is a perennial challenge for housing indices.